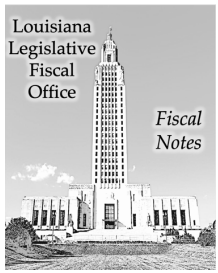


**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 54** HLS 24RS 84

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> April 15, 2024	2:42 PM	<b>Author:</b> NEWELL
<b>Dept./Agy.:</b> Dept. of Ag & Forestry, ATC, DPSC		<b>Analyst:</b> Richie Anderson
<b>Subject:</b> Regulation of Cannabis		

CONTROLLED SUBSTANCES OR INCREASE SG RV See Note Page 1 of 2  
Provides relative to the regulation of cannabis

Proposed law authorizes the Dept. of Agriculture and Forestry (LDAF) to create and issue up to ten cannabis production facility licenses valid for five years; requires applicants and subcontractors to undergo finger printing and a state and national criminal background check; provides for an application fee up to \$2,500 and annual production facility license fee not to exceed \$100,000; \$50 annual permit fee; \$250 annual transportation carrier fee; provides for civil penalties up to \$50,000 per violation per day based upon the ruling of the commissioner; excludes therapeutic marijuana. Proposed law authorizes the Commissioner of the Office of Alcohol and Tobacco Control (ATC) to issue up to 40 cannabis retailer permits valid for two years; requires an application fee of up to \$2,500 and initial retailer permit fee up to \$100,000 and annual renewal fee of \$50,000; application fee covers finger printing and criminal background checks; qualification of retail applicants; limits cannabis retailers to sell up to one ounce of cannabis to any individual per day; provides for civil penalties of \$2,500 to \$10,000 and imprisonment from six months to five years or both.

EXPENDITURES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	<b>INCREASE</b>	<b>INCREASE</b>	<b>INCREASE</b>	<b>INCREASE</b>	<b>INCREASE</b>	
Agy. Self-Gen.	<b>INCREASE</b>	<b>INCREASE</b>	<b>INCREASE</b>	<b>INCREASE</b>	<b>INCREASE</b>	
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>SEE BELOW</b>	
<b>Annual Total</b>						
REVENUES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	<b>INCREASE</b>	<b>INCREASE</b>	<b>INCREASE</b>	<b>INCREASE</b>	<b>INCREASE</b>	
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<b>INCREASE</b>	<b>INCREASE</b>	<b>INCREASE</b>	<b>INCREASE</b>	<b>INCREASE</b>	
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

Proposed law will increase SGR expenditures by an indeterminable amount, estimated by the LA Department of Agriculture and Forestry (LDAF) at \$3.4 M for the licensing and regulation of up to ten cannabis production facilities, and by the Department of Revenue, Office of Alcohol and Tobacco Control (ATC) at \$2.3 M for issuance and regulation of up to 40 cannabis retailer permits. The proposed law may result in an indeterminable expenditure increase in the Department of Public Safety and Corrections, LA State Police, and District Attorneys as well as local governmental entities.

**LA Department of Agriculture and Forestry (LDAF)** - LDAF estimates SGF and SGR expenditures will increase by \$3.4 M (\$1.8 M one-time and \$1.6 M recurring) in FY 25. The proposed law requires LDAF to create and issue up to 10 cannabis production facility licenses valid for five years. The LFO assumes all 10 authorized facilities will be licensed and requires the LDAF to immediately need staff, equipment, and vehicles to inspect, regulate, and test the product at facilities. To the extent all 10 cannabis production facilities are licensed, LDAF anticipates this measure will require 23 additional positions (Director, Assistant Director, two (2) Compliance Managers, two (2) Compliance Supervisors, six (6) Compliance Inspectors, two (2) Administrative Program Specialist, two (2) Lab Scientist Directors, and seven Lab Scientist positions). The estimate for positions includes six months of salaries and related benefits (\$1.1 M), travel (\$30,000), operating services (\$44,450), supplies (\$252,550), professional services (\$100,000), and telephones (\$7,500) as well as one-time costs for computers and printers (\$195,000), office furniture (\$13,800), and lab equipment (\$1.6 M). In subsequent fiscal years, this fiscal note assumes a 3% market rate adjustment in salaries and related benefits for classified staff (total expenditures of \$3.3 M in FY 26, \$3.4 M in FY 27, \$3.4 M in FY 28, and \$3.5 M in FY 29). **Continue on page 2**

**REVENUE EXPLANATION**

Proposed law will result in a significant increase in SGR revenues for the LA Department of Agriculture and Forestry (LDAF) from the creation and licensing of up to ten cannabis production facilities. To the extent the maximum number of facilities are licensed, LDAF will receive \$1 M (10 x \$100,000) in annual license fees. However, the potential number that will seek a license is unknown.

Proposed law will result in a significant increase in SGR revenues for the Department of Revenue (LDR), Office of Alcohol and Tobacco Control (ATC) from the permitting of cannabis retailers. To the extent the maximum of 40 cannabis retailer permits are issued, ATC will receive \$4 M (40 x \$100,000) in initial license fees and renewal licensing fees of \$2 M (40 x \$50,000) in subsequent fiscal years. However, the potential number of retailers that will seek permits is unknown.

Proposed law provides for a civil fine of up to \$50,000 per act of violation for each day on a person determined to violate based on a ruling by the Commissioner of LDAF. The LFO presumes the potential revenue may accrue to LDAF due to the required ruling by the Commissioner, but this point is unclear as civil penalties generally accrue to local governing authorities. The number of individuals that may violate the proposed law and be assessed civil fines by the Commissioner of LDAF is speculative and indeterminable.

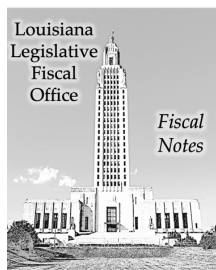
Proposed law provides for a fine of \$2,500 to \$10,000 or imprisonment of 6 months to 5 years or both on a person convicted of selling cannabis without a retailer permit and the potential revenue will accrue to the local government entities. The number of individuals who may be convicted of selling cannabis without a retailer permit is speculative and indeterminable.

Senate  
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}  
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House  
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}  
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

**Patrice Thomas**  
**Deputy Fiscal Officer**

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 54** HLS 24RS 84

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> April 15, 2024 2:42 PM	<b>Author:</b> NEWELL
<b>Dept./Agy.:</b> Dept. of Ag & Forestry, ATC, DPSC	<b>Analyst:</b> Richie Anderson
<b>Subject:</b> Regulation of Cannabis	

**CONTINUED EXPLANATION from page one:**

Page 2 of 2

The LFO anticipates LDAF will use the revenues from licensing cannabis production facilities to partially cover its anticipated costs in FY 25. However, LDAF estimates revenues will not be sufficient to fully cover these significant expenditures and that it will require an additional appropriation of SGF.

	<b>FY 25</b>	<b>FY 26</b>	<b>FY 27</b>	<b>FY 28</b>	<b>FY 29</b>
Personal services*	\$1,160,527	\$2,321,055	\$2,383,139	\$2,447,086	\$2,512,952
Operating services	\$327,000	\$766,050	\$766,050	\$766,050	\$766,050
Professional services	\$100,000	\$200,000	\$200,000	\$200,000	\$200,000
Equipment	\$1,836,315	\$0	\$0	\$0	\$0
IAT to OTS	\$7,500	\$15,000	\$15,000	\$15,000	\$15,000
<b>Total LDAF</b>	<b>\$3,431,342</b>	<b>\$3,302,105</b>	<b>\$3,364,189</b>	<b>\$3,428,136</b>	<b>\$3,494,002</b>

**LA Department of Revenue (LDR), Office of Alcohol and Tobacco Control (ATC)** - ATC estimates SGR expenditures will increase by \$1.5 M in FY 25. The proposed law requires ATC to issue 40 cannabis retailer permits. The LFO assumes all 40 retailers will be permitted and requires the ATC to immediately need staff, equipment, and vehicles to issue permits immediately. To the extent all 40 retailers are permitted, ATC anticipates needing twenty (20) Agents (\$1.6 M salary and related benefits), four (4) Administrative Coordinator positions (\$170,378 salary and related benefits), one (1) Attorney (\$69,055 salary and related benefits), and two (2) Directors (\$194,571 salary and related benefits) for a total annual personal services cost of \$2 M for the administration and enforcement of cannabis retailers. In FY 25, only six months of expenditures are anticipated for salaries and related benefits. In subsequent fiscal years, this fiscal note assumes a 3% market rate adjustment in salaries and related benefits for staff and 12 months (total expenditures of \$2 M in FY 26, \$1.6 M in FY 27, \$1.7 M in FY 28, and \$1.7 M in FY 29). ATC also estimates various costs for operating expenses, including travel and supplies, professional services, and equipment costs, presented in the table below. The LFO cannot corroborate the needs outlined by ATC. To the extent the additional workload is less than what ATC anticipates, the additional workload may be absorbable, either wholly or partially, using existing staff and resources or may be achievable with fewer positions. To the extent these costs are not fully funded by permit revenues, additional budgetary resources may be needed.

	<b>FY 25</b>	<b>FY 26</b>	<b>FY 27</b>	<b>FY 28</b>	<b>FY 29</b>
Personal services*	\$707,706	\$1,406,454	\$1,448,648	\$1,492,107	\$1,536,870
Operating services	\$200,000	\$100,000	\$100,000	\$100,000	\$100,000
Professional services	\$200,000	\$100,000	\$100,000	\$100,000	\$100,000
Equipment	\$398,258	\$398,258	\$0	\$0	\$0
<b>Total ATC</b>	<b>\$1,505,964</b>	<b>\$2,004,712</b>	<b>\$1,648,648</b>	<b>\$1,692,107</b>	<b>\$1,736,870</b>

**Department of Public Safety and Corrections (DPSC)** - Based on the experience of other states with legalized recreational marijuana, Public Safety anticipates that legalizing the sale of cannabis at retail locations will have a significant indirect impact on lab expenses associated with testing impaired drivers for THC and testing the components of products found at illegal marijuana retailers and manufacturers. Public Safety anticipates needing four (4) Crime Lab Analysts positions (\$424,337 salary and related benefits) as well as operating services (\$1.3 M), lab supplies (\$42,928), one-time acquisition of lab equipment (\$1 M), telephone and data services (\$3,960). The LFO cannot corroborate that the provisions in the proposed law will result in an indirect expenditure exposure of this magnitude.

	<b>FY 25</b>	<b>FY 26</b>	<b>FY 27</b>	<b>FY 28</b>	<b>FY 29</b>
Personal services*	\$424,337	\$433,120	\$444,593	\$456,410	\$468,582
Operating services	\$1,280,040	\$1,280,040	\$1,280,040	\$1,280,040	\$1,280,040
Supplies	\$42,928	\$42,928	\$42,928	\$42,928	\$42,928
Equipment	\$1,094,517	\$0	\$0	\$0	\$0
IAT to OTS	\$3,960	\$3,960	\$3,960	\$3,960	\$3,960
<b>Total DPSC</b>	<b>\$2,845,782</b>	<b>\$1,760,048</b>	<b>\$1,771,521</b>	<b>\$1,783,338</b>	<b>\$1,795,510</b>

**Louisiana District Attorneys Association (LDAA)** - The proposed law may result in an indeterminable expenditure increase for district attorneys. The proposed law creates penalties ranging from misdemeanor to felony for a violation of the retailer permit requirements. LDAA reports that it cannot estimate the fiscal impact for district attorneys, because it is unable to determine the number of these cases that would be charged under the proposed law.

**Local Governmental Entities** - The proposed law may result in an indeterminable increase in Local Funds expenditure to local governing authorities if a person is convicted of selling cannabis without a retailer permit and housed in local jails. The imprisonment term is at least 6 months to a maximum of 5 years for this misdemeanor offense.

\*NOTE: LDAF, ATC, and DPSC estimate personnel services costs to increase by 3% annually.

Senate Dual Referral Rules  
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}  
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House  
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}  
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

**Patrice Thomas**  
**Deputy Fiscal Officer**